Tax evasion

495. SHRI SANTOSH BAGRODIA: Will the Minister of FINANCE be pleased to state:

(a) the new steps initiated by Government to check tax evasion by individuals and the big companies;

(b) how Government propose to recover tax arrears in such cases;

(c) the reasons for the big tax arrear cases getting on multiplying every year; and

(d) whether any relaxation has been proposed to be given to the honest tax payers like salaried class?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The Finance (No. 2) Act, 2004 has introduced certain provisions in the Income-Tax, 1961 with a view to check tax evasion by individuals and corporates as under:—

(i) Taxation of gifts of money (other than those received at the time of marriage) received from unrelated persons in excess of Rs. 25,000/-;

(ii) Tax deduction at source on compensation paid on compulsory acquisition of immovable properties (other than agricultural land);

(iii) Tax collection at source at the time of awarding contracts for parking lots and toll plazas, and granting lease in respect of mines and quarries; and

(iv) Provision for prosecution of persons who issue false bills, vouchers, etc. and make false entries in books with intent to enable any other person to evade tax.

(b) The Government effects recovery of tax arrears as per detailed procedure for recovery laid down-in the Income-tax Act, 1961 which includes steps like issue of notices, attachment of bank accounts and other movable assets, attachment and sale of immovable properties, etc.

(c) The main reasons for the big tax arear cases getting multiplied every year are one or more of the following:—

(i) Demands are stayed by Courts/Tribunals;

(ii) Cases are pending in Courts/Tribunals/Settlement Commission;

(iii) Cases are either under liquidation or are before the BIFR; and

(iv) Cases in respect of which persons and their assets are not traceable.

Since dispute resolution takes time, the arrears go on increasing.

(d) No such relaxation is under consideration at present.

Hawala transactions in Kerala

496. SHRI N.K. PREMACHANDRAN: Will the Minister of FINANCE be pleased to state:

(a) the number of banks involved in the hawala transactions inKerala, and the details thereof;

(b) whether the banks in Kerala played any positive role to help the illegal money transactions;

(c) whether the banks observed the relevant rules of RBI for opening accounts involved in hawala transactions; and

(d) whether the banks made any close watch over the huge withdrawal of money from their branches in Kerala and Tamil Nadu?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (d) Reserve Bank of India (RBI) has reported that forty branches of twelve banks were involved in the hawala transations in Kerala. The total numbers of accounts involved were 84. Scrutiny conducted by RBI in these cases did not reveal any fraud or scam by the banks. However, RBI has observed that banks had not followed the norms prescribed by RBI for opening of accounts and recording/reporting of large value cash transactions. The banks have not incurred any losses in these transactions. As per RBI guidelines, any large and suspicious cash transaction has to be reported to the Controlling Offices by the branches of the banks and these were not followed. RBI has advised banks to scrupulously follow the extant instructions while opening deposits accounts as well as handling large value cash transactions. RBI has also advised the banks to take appropriate action including criminal proceedings against their erring officials/constituents.